MULTIMEDIA UNIVERSITY

STUDENT ID NO

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# MULTIMEDIA UNIVERSITY

# FINAL EXAMINATION

**TRIMESTER 3, 2017 / 2018**

## BGM 2054 GLOBAL MANAGEMENT

( All Sections / Groups )

6 JUNE 2018
9.00 a.m. – 11.00 a.m.
( 2 Hours )

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**INSTRUCTIONS TO STUDENTS**

This examination paper consists of **FIVE (5)** pages in **TWO (2)** Sections:

1. **Section A** – 20 Multiple choice questions (40 marks)
   Instruction: Answer **ALL** questions. Shade your answers in the OMR answer sheet provided using a '**2B**' or '**BB**' pencil.

2. **Section B** – 3 Essay questions (60 marks) – All questions carry equal marks.
   Instruction: Answer **ALL THREE (3)** questions. Write your answers in the answer booklet provided.

**SECTION A (40 Marks)**
**Answer ALL questions**
Identify the letter of the choice that best completes the statement or answers the question.
*All questions carry two (2) marks each.*
*Shade your choice of answers in the OMR answer sheet provided.*

1. A business that has direct investments (in the form of marketing or manufacturing subsidiaries) abroad in several countries is called a _____.
   A. shell corporation
   B. dummy corporation
   C. domestic corporation
   D. multinational corporation

2. Konesia is a country in which rising incomes are increasing the global demand for basic products and services. Which of the following is the type of market featured in this country?
   A. Feudal market
   B. Virtual market
   C. Emerging market
   D. Traditional market

3. Two major forces that underlie the expansion of globalization are falling barriers to trade and investment, and _____.
   A. political stagnation
   B. elevation of nationalism
   C. rise of closed economies
   D. technological innovation

4. Under a(n) _____ political system, the state reigns supreme over institutions such as family, religion, business, and labor.
   A. anarchist
   B. pluralistic
   C. totalitarian
   D. democratic

5. Which of the following is a disadvantage of conducting business in totalitarian nations?
   A. The government has little power over the economic activities of the nation
   B. Laws regarding the resolution of contractual disputes are rigid and inflexible
   C. Companies have to contend with the interference of local political opposition
   D. A refusal to pay a bribe can result in the forfeiture of investments in the country

**Continued.....**

6. Which of the following disagrees with the concept of centrally planned economies?
   A. Basic necessities were often not provided to citizens in centrally planned economies
   B. Prices on the black market were much higher than the official prices set by governments
   C. Underground economies for goods and services thrived in most centrally planned economies
   D. At the time of their collapse, standards of living in most centrally planned economies were at or above those of market economies

7. The condition that results when the value of a nation's exports is greater than the value of its imports is called _____.
   A. dumping
   B. mercantilism
   C. a trade deficit
   D. a trade surplus

8. _____ says that nations should accumulate financial wealth, usually in the form of gold, by encouraging exports and discouraging imports.
   A. Communism
   B. Mercantilism
   C. Factor proportions theory
   D. Absolute advantage theory

9. Country A produces a ton of coffee using one unit of resources. Country B produces two tons of coffee using one unit of resources. Which of the following is true regarding Country A and Country B?
   A. Country A has an absolute advantage in producing coffee
   B. Country B has an absolute advantage in producing coffee
   C. Neither Country A nor Country B has an absolute advantage in producing coffee
   D. Both Country A and Country B have an absolute advantage in producing coffee

10. During which stage of the international product life cycle theory does demand rise and remain sustained for a fairly lengthy period of time?
   A. New product stage
   B. Product decline stage
   C. Maturing product stage
   D. Standardized product stage

**Continued.....**

11. Which of the following is the lowest extent of regional economic integration?
A. Free trade area
B. Political union
C. Customs union
D. Common market

12. An increase in the level of trade among nations that results from regional economic integration is called _____.
A. trade creation
B. mercantilism
C. trade diversion
D. economic nationalism

*Scenario: Moonland Union*
*Twenty-six nations of Moonland region, have decided to cooperate with one another to eliminate trade barriers among them and create the Moonland Union. They are not sure; however, to what extent they want to cooperate.*

13. Some countries in Moonland Union are interested not just in free trade among themselves and a common trade policy against nonmembers, but also in removing all barriers to the movement of labor and capital among themselves. This type of integration is best described as a _____.
A. free trade area
B. customs union
C. common market
D. preferential trading area

14. The major objective of the Association of Southeast Asian Nations (ASEAN) is to _____.
A. introduce barriers to trade and investment
B. safeguard the region's economic and political stability
C. increase members' tariff rates from an average of 7.5 percent to 15 percent
D. approach the European Union to resolve disputes between member countries

15. Adapting products and their marketing strategies in each of the national markets of a company to suit local preferences is called a _____ strategy.
A. global
B. blue ocean
C. retrenchment
D. multinational

**Continued.....**

16. Which of the following is a special ability of a company that competitors find extremely difficult to equal?
A. Core competency
B. Economy of scale
C. Absolute advantage
D. Comparative advantage

17. Organic growth refers to an organization's corporate strategy that relies on growth _____.
A. generated internally
B. based on strategic alliances
C. achieved from joint ventures
D. through mergers and acquisitions

18. Which of the following is the first step in developing a successful export strategy?
A. Initiation of meetings
B. Commitment of resources
C. Identification of a potential market
D. Match market needs to the company's abilities

19. Which of the following statements is **TRUE** of countertrade?
A. Hedging risk in countertrade is prohibited
B. Countertrade usually involves industrial products and computer softwares
C. Countertrade is practiced by countries when there is a lack of hard currency
D. Countertrade involves products whose prices on world markets tend to remain steady

20. Which of the following is an advantage of wholly owned subsidiaries?
A. They are the least expensive investment entry modes
B. The parent company receives all profits generated by the subsidiary
C. They are the least risky when compared to other investment entry modes
D. They help in the sharing of the cost of an international investment project

**Continued.....**

**SECTION B (60 Marks)**
**Answer ALL THREE (3) questions.**
*Write your answers in the answer booklet provided. All questions carry equal marks.*

1. a. *The globalization of markets has resulted in the convergence in buyer preferences in markets around the world.*
Discuss the benefits that a company may obtain from the globalization of markets.
(10 marks)

b. *Nations around the world have their respective legal systems which are enacted and enforced by its courts to hold parties accountable for their actions.*
Describe the importance of a nation's legal system and identify the main characteristics of the **THREE** main types of legal systems in use around the world.
(10 marks)
[20 marks]

2. a. *Although the international product life cycle theory was developed around the US market, it can be generalized to apply to any developed and innovative markets subject to limitations.*
What are the limitations of the international product life cycle theory? Discuss how well the theory explains the current trade patterns.
(10 marks)

b. *The objective of economic and political integration is greater cross-border trade and investment and higher living standards.*
Based on the above comment regional integration has its benefits; nonetheless there are the downsides of regional integration. Discuss these downsides of regional integration.
(10 marks)
[20 marks]

3. a. *There are many ways in which a company can organize its international business activities; however three organizational structures tend to be the most common: division structure, area structure and product structure.*
Describe these **THREE** international organizational structures that are most common for a vast majority of international companies.
(10 marks)

b. *Several key strategic factors such as the cultural environment, political and legal environments, market size, production and shipping costs, and international experience can influence a company's international entry mode selection.*
Select any **THREE** of these strategic factors and explain how they can influence a company's international entry mode selection.
(10 marks)
[20 marks]

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